

Convegno «Più democrazia per un'economia sostenibile»

The Italian system of employee participation

Salvo Leonardi

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The current debate about participation: a quite new social and cultural climate

- A widespread perception of industrial relations as unsatisfactory, with the gap between some *quantitative* data (membership; CB coverage) and *qualitative* outcomes (wages, working conditions.., popularity)
- A partial overcoming of the traditional reluctance of social partners with regard to stronger forms of reciprocal responsibility, driver of higher competitiveness and productivity
- The post-Fordist paradigm (lean production; *high performance work practices*, WCM) and its consequences on the work organization and industrial relations (positive-sum game theory; decentralization;)
- The managerial emphasis on workers' collaboration and a "new culture" for industrial relations; the unions on more reliable and effective rights to have a voice on strategic, economic and organizational change at work and in the corporate governance
- The European influences and comparison: the German model, now broadly considered a best practices from many unionists
- The revival of interest for the long ignored art. 46 Const. (workers' right to collaborate in the enterprise..")

The Italian industrial relations system: some characteristics

- High level of voluntarism and abstention of law on social partners representativeness, collective bargaining and extension mechanisms, minimum wage, right to strike,
- TU pluralism and high fragmentation of the employers associations and industry-wide agreements
- Two-tier collective bargaining system with a primacy of the sectoral level
- High-level of multi-employer bargaining coverage: 80-90%
- Medium-high level of unionization: about 33-35 %
- Single channel of workers representation
- A lively inter-confederate and sectoral social dialogue; a modest firm-level bargaining
- “Conflictual participation”, external and disjunctive through CB

The Italian way to participation

- historical and ideologically-based reluctance of social partners to establish forms of strong involvement and participation by law;
- no legal provision for board level employee representation (BLER), with a bad implementation of the EU regulation on the dualistic system
- marginal experiences of employee share ownership, on an individual basis, without any impact on BLER
- key role played by the collectively agreed I&C rights, through joint committees and dedicated sessions (strong on H&S and training);
- the “bilateralism”; law-supported collectively agreed joint funds/bodies to manage increasing segments of occupation welfare and benefits (pension; health; training; unempl.)
- increasing managers-driven direct participation in work organization (team work; suggestions boxes; training..)
- Jeopardized firm-level experiences (joint committees; profit-sharing schemes, welfare schemes), with an important influence of the German MNCs in Emilia R. industrial districts
- State fiscal incentives to agree at company level participatory schemes

Workers' participation in the Italian Constitution of 1948

Art. 3.2

(...) It is the duty of the Republic to remove the economic and social obstacles which by limiting the freedom and equality of citizens, prevent the full development of the human person and **the effective participation of all workers in the political, economic and social organization of the country**

Art. 46

For the economic and social betterment of workers and in harmony with the needs of production, the Republic recognizes **the rights of workers to collaborate in the management of enterprises**, in the ways and within the limits established by law.

Without BLER: why?

- family capitalism and fragmented ownership,
- monistic model of corporate governance,
- authoritarian-style management,
- radical approaches prevailing in social partners,
- lack of an historical class compromise,
- industrial relations based on voluntarism,
- exclusion of the largest leftist party from government,
- trade union pluralism,
- shortage of a centralized labour movement
- lost opportunity to correctly implement the dualistic model of the EU law

Workers' control and conflictual pluralism in the post-war unions' ideologies

PCI and CGIL: class unity and democratic planning of economy

- A centralistic approach, induced by the fear for a corporatist fragmentation of the workers' class unity
- Workers' control disjunctive and conflictual, rather than internal and collaborative (Art. 46 Cost.): *a) from above*, through political planning in economics (Art. 41); *b) from below*, through industrial conflict (Art. 40), collective bargaining (art. 39) and trade union democracy (direct and semi-direct; "Consiliarism")
- Socialization of political power rather than socialization of property: the reform of the state comes first than the reform of the corporate governance

CISL in the 1960-70: the influence of the Anglo-Saxon pluralism

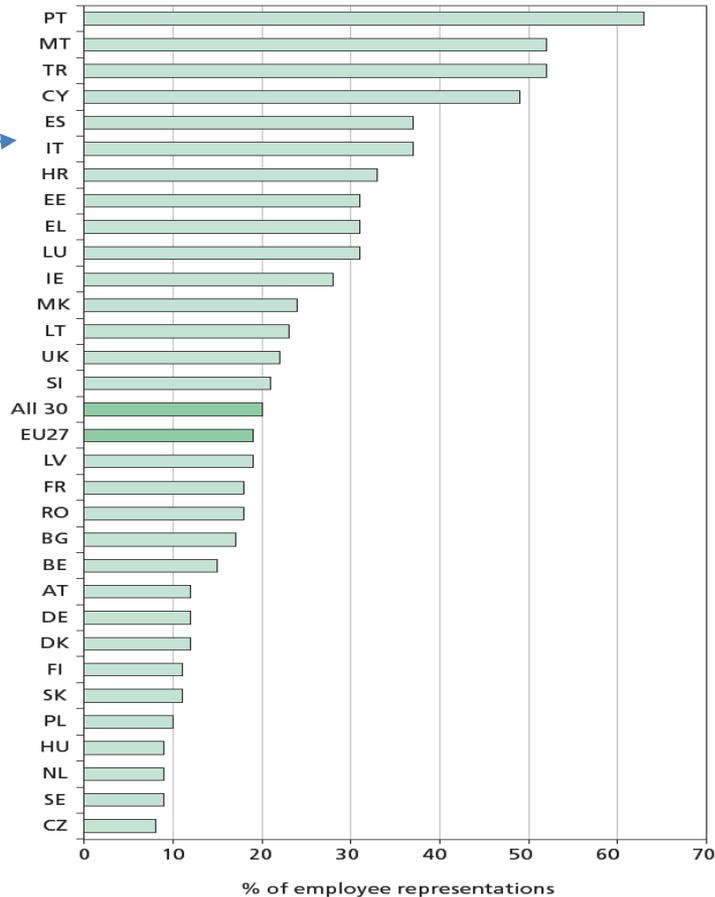
- Webbs; School of Wisconsin and Oxford from Giugni, Baglioni, Cella). A conflictual pluralism based on the centrality of the workplace working conditions and industrial democracy;
- Codetermination rights in the German form of BLER largely rejected as considered to be a form of co-optation, paid at the cost of a strong limitation of the right to strike
- The inter-syndacal order (self-initiated, self-ruled and self concluded), in autonomy from the State interventionism in industrial relations. Just an auxiliary legislation for an external stimulation of internal self-regulation (the Workers' Statute of 1970)

Involvement and participation: a post-war excursus

- Shortly dualistic: the “Management Councils” (1945-50)
- The “First parts” of national industry-wide collective agreements, on I&C, since 1976 till now
- The transposition of the EU legislation on I&C on collective dismissals, transfer of undertakings, H&S
- Public holdings Protocols, IRI and ENI, 1984-86
- Framework Agreement on income policy, employment and industrial relations of 23 July 1993
- The new wave of EU law (2001-09), always implemented through previous social agreements (*Avvisi comuni*)
- Good practices at company level: Lamborghini, Ducati, Finmeccanica, Tenaris Dalmine, OMB Saleri, FIAT/FCA (metal), GD (packaging), ENI, ENEL (energy), Pirelli (tyre), Prysmian (tlc), Roche (pharma) Gucci, Luxottica (fashion), Granarolo, Ferrero, Ferrarelle, Nestlè, Barilla (food), Telecom (TLC), Generali (insurance), Unipol, Intesa Sanpaolo, Unicredit (banking)

The quality of information provision

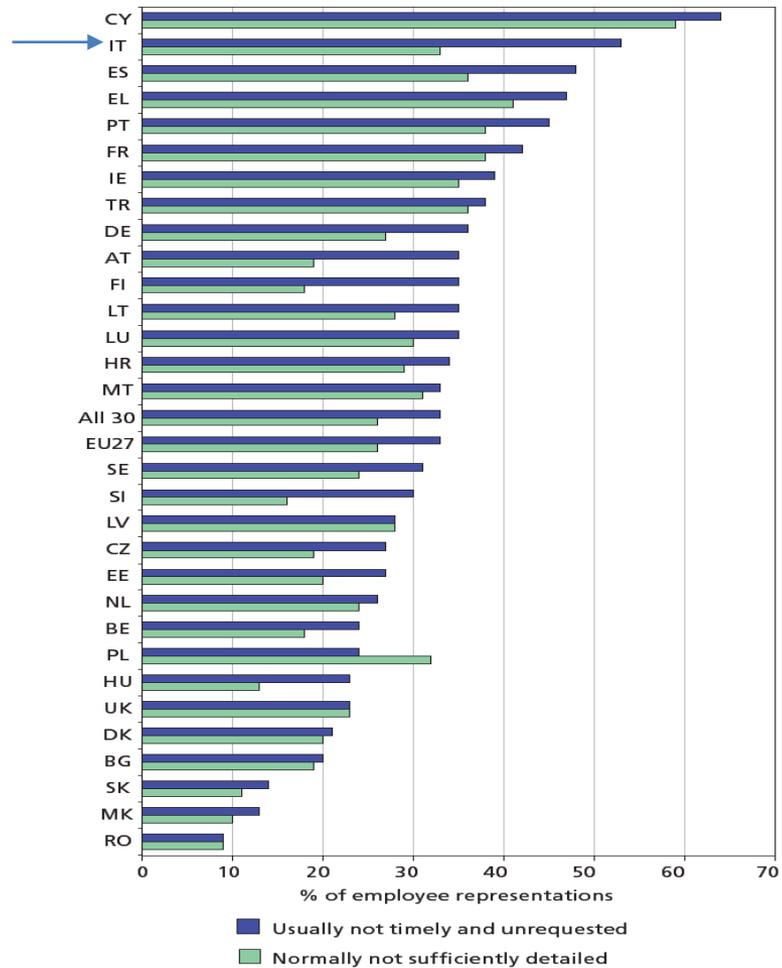
Figure 46: Missing at least yearly information provision, by country (%)



Note: Base = employee representations (that were available for interview in establishments with 10 or more employees) not receiving at least once a year financial and economic information or information on the employment situation with regard to the establishment.

Source: ECS 2009, employee representative interviews

Figure 47: Quality of information provision to employee representation, by country (%)



Note: Base = employee representations that receive company information and were available for interview in establishments with 10 or more employees.

Source: ECS 2009, employee representative interviews

The influence of German MNCs: the impact of the VW TCA at Lamborghini

2011 – First company level agreement on the implementation of the VW Labour Charter and its values and objectives

2012 – Company agreement on industrial relations and working conditions, signed by RSU and local FIOM

Procedures: referendum on the agreements

Principles: transparency, involvement, trust, autonomy, CSR, team work, training, open-end contracts.

Tools for I&C and codetermination: 4 Joint committees on:

- performance-related pay,
- work organization,
- job classification,
- health and safety

The influence of EU law.

Last chance for the dualistic system?

- Company law reform adopted with in 2003 has introduced the possibility to freely opt for dualistic model and further incorporation in Italian law of the EU Directive on the European Company (SE) (Leg. Decrees No. 188/2005)
- The rationale of the EU law betrayed as the Italian reform of the civil code devoid de facto of its fundamental corollary related to workers' participation in corporate governance (Article 2409- *duodecies*, para 10, letter c)
- Workers' representatives cannot be elected members of the Supervisory Board, with eligibility denied to anyone linked to the company or to its subsidiaries 'by an employment relationship (..) that compromises their independence'".
- Only control. Deliberating on the strategic and industrial and financial plans, by the Supervisory Board, is only possible and not mandatory
- The dualistic system did not get off the ground and even those who initially adopted it – almost exclusively in the banking sector – abandoned it.
- Quite total absence of European Companies (SE) registered in Italy
- This frustrated any expectation that the new Italian system would converge with those of the majority of EU member states in terms of BLER.

Soft law to incentivate workers' participation through firm-level collective agreements

1. **Law 148/2011**, Art. 8 (Berlusconi Government); the adoption of whatever form of participation in the company justifies the possibility of derogating the rules set by the national sectoral bargaining.
2. **Law n. 92/2012** (Monti Government), art. 4.62 (delayed), delegated the Government to issue one or more decrees aiming at enhancing “forms of workers' involvement (..), activated through the stipulation of a firm-level agreement”, followed by an heterogeneous continuum of possibilities: from joint committees to ESOP, to the organic participation in companies with >300 employees
3. **Budget laws 2016 and 2017**; very much focusing on bonuses of productivity, with tax deduction at 10% of the productivity wage, based on company agreements, for an amount of € 4,000 for companies that involve workers through the establishment of paritetical joint bodies

Some scholars' projects for «strategic» or «incisive» participation

An holistic reform of the industrial relations (representation, CB, strike) and workers' participation in all possible forms to give stronger voice to the workers

1) I&C rights, lowering the threshold for (from 50 to 35 or 15)

- Semi-annual mandatory information rounds
- Legal penalty for companies which comply not with the I&C obligations

2) Codetermination on social issues, H&S, training, work organization, with arbitration procedures in case of dissent

3) BLER in companies with > 250/300 workers and a dualistic model

- Between 1/5 and 1/2 of the Board must be reserved to the workers' representatives, in derogation of the Civil Code articles (on request of 30% of the workers or works council or trade unions)
- The national sectoral agreement defines the specific composition, functions and methods of election (elective/associative)

4) ESOPs (today rare), in collective forms, based on firm-level collective agreements (workers are free to adhere or not); workers' shareholders' with a voice in the assembly

The CGIL Charter of the Universal Rights of Labour

- Strengthening widespread information and consultation rights, with lowering the company threshold from current 50 to 16 employees
- Firm-level agreement can establish forms of workers' participation to profit sharing, delivering free shares with no right to vote
- Right of national trade union associations to designate two experts into the supervisory board for monitoring and surveillance companies operating in sectors of strategic importance of public interest: energy, transport, communication, banks and insurance
- Right of the two experts to attend meetings of the Supervisory body, with a right speak to but not to vote.

The Protocol of CGIL, CISL, UIL (14 Jan. 2016) for “a modern system of industrial relations”

An economic development based on “**innovation and quality of work**”, focusing on three main pillars to set of new rules on

- collective bargaining,
- representation,
- **Participation: in the governance, organizational, financial**

“The whole model of industrial relations must evolve with a strategic choice of participation”

The choice for the dual system: ***“CGIL CISL UIL consider the participation in the Supervisory Boards to be fundamental. That must be the site of real conditioning of company management, even if in a balance that is not necessarily equal, in which the roles of management and workers are clearly distinguished but also giving full and formal citizenship in decisions to representatives expressed / elected by workers”.***

New work paradigms and employees' involvement

Lean production, Toyotism, HPWP, WCM: an integrated system for the excellence of the entire logistics-manufacturing cycle of manufacturing, which intersects management style and HRM, employment relationship, industrial relations, work organization, ergonomics

- **Objective:** Continuous improvement of all performances; lean production, total quality, just in time: "zero defects, zero stocks, zero waste, zero failures"
- **Tools:** Involving all levels of business functions and full workers self-activation and mobilization,
- **Corollary:**
 - a) **Employment relationship;** casualization and contractual flexibility; work on-demand; performance-related pay,
 - b) **Industrial relations** more and more decentralized at firm-level, zero conflicts, individual and collective direct participation (team-work, team-leader, tips box,..); a strong rhetoric on participatory HRM and wellbeing at work, variable pay entirely performance-related,

Factors

Contra

- The labour/capital power relations never so unbalanced.
- In time of off-shoring, tax heavens, financialization, short-termism, just-in-time, labour casualization, a greater workers involvement is possible just in decision-making executive class; much less or nothing at all in the strategic sphere (what, how and where to produce)
- Employers aversion to any form of structured and legally regulated participation; strongly favorable to informal and direct participation
- In current times, it's hard to emulate laws resulting of historical and political contexts sidereal distant from ours

Pro

- *Micro-level.* As the human factor from an old constraint becomes now a vital resource, then let's make it a constraint again (C-R-C'). Asking workers to be proactive must be repaid, with a better quality of work and rights
- *Meso-level.* The role of social partners in co-managing parts of the welfare system, left uncovered by the state withdraw, through bilateralism
- *Macro-level.* Rethinking the role of the state in the economy, as an indispensable actor to foster full and good employment, which intervenes with investments for sustainable innovation and well-being (CGIL's work plan)